



County of Los Angeles CHIEF EXECUTIVE OFFICE

Kenneth Hahn Hall of Administration
500 West Temple Street, Room 713, Los Angeles, California 90012
(213) 974-1101
<http://ceo.lacounty.gov>

WILLIAM T FUJIOKA
Chief Executive Officer

March 29, 2010

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Second District

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Third District

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MICHAEL D. ANTONOVICH
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To: Supervisor Gloria Molina, Chair
Supervisor Mark Ridley-Thomas
Supervisor Zev Yaroslavsky
Supervisor Don Knabe
Supervisor Michael D. Antonovich

From: William T Fujioka
Chief Executive Officer

A handwritten signature in black ink, appearing to read "W. T. Fujioka", is written over the printed name and title.

SACRAMENTO UPDATE

This memorandum contains information on the Legislature's Spring Recess; a report on actions taken by the Senate Budget Subcommittee No. 3 on Health and Human Services related to the Governor's FY 2010-11 Proposed Budget; and an update on County-interest legislation related to the Upper Los Angeles River and Watershed Program, and sales tax exclusions on equipment used to manufacture products that produce energy from alternative sources.

Legislature on Spring Recess

The Legislature is on Spring Recess and it is scheduled to reconvene in Sacramento on Monday, April 5, 2010.

Senate Budget Subcommittee No. 3 on Health and Human Services Actions

On March 25, 2010, the Senate Budget Subcommittee No. 3 on Health and Human Services held a hearing to review the Governor's FY 2010-11 Budget proposals for various health programs. The Subcommittee took the following actions on items of interest to the County:

- **Medi-Cal Eligibility Reduction.** By a vote of 2 to 0, the Subcommittee rejected the Governor's Budget proposals to: 1) reduce Medi-Cal eligibility to the Federal minimum allowed, which would result in the elimination of benefits for low-income working families, children, former Foster Care youth, and aged, blind and disabled persons; and 2) eliminate nine optional Medi-Cal benefits, if the State fails to receive increased Federal funding as proposed by the Governor.

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Subcommittee members noted that the Medi-Cal Eligibility Reduction proposal would violate the Maintenance-of-Effort provisions in H.R. 3590, the Patient Protection and Affordable Care Act of 2010, which requires states to maintain Medicaid eligibility standards, methodologies, and procedures until the State implements a Health Insurance Exchange.

- **Continuous Medi-Cal Eligibility.** By a vote of 2 to 0, the Subcommittee rejected the Governor's Budget proposal to reinstate semi-annual Medi-Cal reporting for children effective January 1, 2011, unless Federal approval is obtained to extend the increased Federal Medical Assistance Percentage. Instead, the Subcommittee approved Budget Trailer Bill language to restore continuous 12-month Medi-Cal eligibility for children.
- **Healthy Families Program.** By a vote of 2 to 0, the Subcommittee rejected the Governor's Budget proposal to eliminate the Healthy Families Program if the State fails to receive increased Federal funding as proposed by the Governor. **The Department of Mental Health estimates that this proposal would result in a County loss of \$10.0 million to provide mental health services for approximately 3,600 children. The Department of Health Services estimates that this proposal would result in a County loss of \$1.5 million.**

The following items of interest to the County were held open:

- **Safety Net Care Pool.** The Governor's Budget proposal to shift \$54.2 million in Federal funds from the Safety Net Care Pool (SNCP) to backfill State General Fund support for certain State-operated programs. **This proposal would result in an estimated County loss of \$14.4 million to the SNCP and \$10.0 million to the South Los Angeles Preservation Fund.** The Department of Health Services indicates that this proposal would result in a loss of over 60,000 outpatient visits in Los Angeles County.
- **Medi-Cal Eligibility for Legal Immigrants.** The Governor's Budget proposal to eliminate full-scope Medi-Cal for Newly Qualified Immigrants who have been residing in the United States for less than five years and for Immigrants Permanently Residing Under the Color of Law. **This proposal would result in an estimated annual County loss of \$3.5 million and the loss of Medi-Cal benefits for approximately 24,500 legal immigrants in the County.**
- **Medi-Cal Cost Containment Strategies.** The Governor's Budget proposal to implement initiatives to reduce Medi-Cal expenditures by limiting services, increasing co-payments and/or premiums, and enacting other programmatic

changes for a State General Fund savings of \$750.0 million. The Subcommittee analysis indicates that the Administration has provided no basis for the estimated savings to the Legislature. The Administration reported that more information on this proposal will be provided in the May Budget Revision.

In addition, the Administration provided an update on implementation of County-supported AB 1383 (Chapter 267, Statutes of 2009) which would impose a provider fee on hospitals to increase Medi-Cal reimbursement if approved by the Federal Centers for Medicare and Medicaid Services (CMS). Toby Douglas, Chief Deputy Director for the California Department of Health Care Services (CDHCS), stated that CDHCS is working closely with hospital associations and CMS, but approval of the hospital provider fees has been slower than anticipated due to the complexity of the fee structure and the need to obtain multiple Federal approvals.

Status of County-Interest Legislation

AB 1818 (Blumenfield), as amended on March 16, 2010, would create the Upper Los Angeles River and Watershed Program (Program), to be administered by the Santa Monica Mountains Conservancy (Conservancy), to address the resource protection, public recreation, water conservation, and water quality goals of the Los Angeles River watershed in a coordinated, comprehensive, and effective way.

Specifically, AB 1818 would: 1) add the chair of the Upper Los Angeles River and Watershed Stakeholder Advisory Committee to the Conservancy Board; 2) require the inclusion within the Program of all projects identified by the County of Los Angeles in the Los Angeles River Master Plan (Master Plan); 3) require the inclusion within the Program of all projects identified by the City of Los Angeles in its Los Angeles River Revitalization Master Plan (LARRMP); and 3) require the inclusion within the Program of any other project that may be recommended by a stakeholder committee and approved by the Conservancy, or any other project that may be recommended by the Conservancy. All of the projects must be consistent with the Watershed Plan.

In addition, AB 1818 would establish the Program Stakeholder Advisory Committee (Advisory Committee), which would consist of 10 voting members and five ex-officio members. The 10 voting members are as follows:

- Three members of the public, who shall be appointed one each by the Governor, the Speaker of the Assembly, and the Senate Committee on Rules, and all of whom shall be residents within the Upper Los Angeles River Watershed;
- Director of the Los Angeles County Department of Public Works;

- Member of the Board of Supervisors of Los Angeles County;
- Los Angeles City Engineer or a designated employee thereof;
- A member of the Los Angeles City Council, to be appointed by the Mayor;
- A member of the city council of a city within the watershed, other than the City of Los Angeles, as determined by the city selection committee;
- Secretary of the Natural Resources Agency or his or her employee designee; and
- A member appointed by the Conservancy to represent underserved communities.

The Advisory Committee would be required to: 1) encourage public participation in the development of projects; 2) propose projects for funding by the Program; 3) review and coordinate projects to avoid duplication and to achieve maximum multiple benefits from projects funded by the Program; 4) annually review the Program and solicit nominations of new projects from all affected constituencies and from all portions of the watershed; 5) advise the Conservancy with respect to project funding priorities; and 6) submit an annual report to the Legislature by December 1.

The bill also would: 1) require the Conservancy to fund the implementation of the bill using only existing State fiscal resources; 2) authorize the Conservancy to undertake projects and award grants to an eligible entity if they further the objectives of the Program, or are consistent with Proposition 84 funding requirements; and 3) authorize the Conservancy to approve, disapprove, or modify a grant or proposed project, or condition the approval thereof, to better comply with the objectives of the Program.

Furthermore, the measure would provide that any authority granted by this bill is in addition to any other power the Conservancy or any other State or local agency may exercise pursuant to any other law, and specifies that it does not affect the jurisdiction or authority of other State or local agencies or districts with regulatory or non-regulatory responsibilities over the Los Angeles River. Finally, the bill would create the Program Protection Account within the Conservancy Fund and continuously appropriates funds that may be transferred into the account.

AB 1818 passed the Assembly Natural Resources Committee on March 22, 2010, by a vote of 6 to 3, and was referred to the Assembly Water, Parks and Wildlife Committee. The amendments taken in Committee are not in print yet, but relate to Program

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objectives and priorities. There is no registered support for the bill. The measure is opposed by The City Project.

The Department of Public Works is currently reviewing AB 1818 for impact and will make a recommendation for a County position once the amendments are in print.

SB 71 (Padilla), which as amended on March 22, 2010, would expand the range of projects which may be approved for a sales tax exclusion to include equipment used to manufacture products that produce energy from alternative sources such as solar, wind, and biomass, was signed by the Governor on March 24, 2010. This measure contains an urgency clause and becomes effective immediately.

The Internal Services Department (ISD) indicates that SB 71 removes the sales tax on all equipment used to manufacture goods and products for clean technology manufacturing plants, clean transportation fuels, and plug-in vehicles and charger ports. ISD states this measure will make California-based solar manufacturing more competitive since many states do not have a sales tax on manufacturing equipment.

We will continue to keep you advised.

WTF:RA
MR:VE:EW:er

c: All Department Heads
Legislative Strategist
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Coalition of County Unions
California Contract Cities Association
Independent Cities Association
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City Managers Associations
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